

INCOMING TELEGRAM**Department of State**

SS-M

~~SECRET~~

Control: 4993

Rec'd: Oct. 9, 1961
2:55pm

Action

SS

Info

G

SP

L

H

EUR

E

BFAC

ICA

DLF

PX

IOP

NSC

INR

COM

TRSY

MR

FROM: Belgrade

TO: Secretary of State

NO: 592, October 9, 3 p.m. (Section one of two)

NIACT

1. Have just received Department's telegram 429. On July 20, despatch 41, I submitted general discussion of problems our aid programs in context our policy objectives, accompanied by detailed recommendations from USOM. Embassy telegrams 485, 493, 507 were parts of triple message revising Embassy's recommendations in light of Belgrade Conference. Embassy telegram 583 was further telegram refining these recommendations. We have not yet had replies or reactions from Washington to any of these communications. Reference telegram does not indicate whether they were given consideration in connection forthcoming NSC discussion. If not, urge they be consulted at once.

2. Am uncertain of meaning of statement that export licenses are being held up, and surprised to learn there should have been any thought of such measures. Assume action taken affects only that portion of exports to Yugoslavia which are included on positive list. However this may be, wish to say emphatically that I see in recent events no reason whatsoever why normal trade between Yugoslavia and US should be in any way interrupted or restricted, and very much hope nothing this sort will be done. Such measures would inevitably appear here as abrupt and vindictive, and would create impression I think it important we avoid. It is one thing to speak of modifying previous levels and nature

.../of aid

REPRODUCTION FROM THIS COPY IS
PROHIBITED UNLESS "UNCLASSIFIED"~~SECRET~~

SECRET

-2- 592, October 9, 3 p.m. (Section one of two)

From: Belgrade

of aid programs; it is another thing to deprive Yugoslavs of normal opportunities for trade with US. We have not been able to establish any significant diversions of imports from US to Soviet Bloc since 1958, and though continued vigilance is of course in order, I doubt present Soviet-Yugoslav arrangements include provision for anything of this sort. In these circumstances denial export licenses could appear here only as deliberate effort to make trouble for Yugoslavia and to discriminate against her in comparison other countries in similar position.

3. It may be useful to Department if I summarize here recommendations already made (see reference above) with respect to aid programs. I have recommended no further technical assistance funds be allocated but we fulfill existing contracts to extent Yugoslavs are prepared to reciprocate. I have recommended Yugoslavs be advised they cannot depend on further surplus food contracts after this fiscal year, but that, particularly in view existing harrowing drought, we conclude in near future one more contract for shipment in level of 40-50 per cent of outstanding Yugoslav requests in wheat, and considerably less in other commodities. I have recommended DLF continue to make loans for industrial developmental projects in Yugoslavia, on project-by-project basis and on dollar-repayment basis. I have urged that programs of voluntary relief agencies (notably CARE and church world service) in Yugoslavia be reexamined, and I understand agencies are themselves undertaking such re-examination.

These measures will, in my opinion, amply suffice to make Yugoslavs feel effects of unfavorable reaction of American opinion to their present political attitude. They will, if accepted, mean elimination within reasonably near future of

.../almost

SECRET

SECRET

-3- 592, October 9, 3 p.m. (Section one of two)

From: Belgrade

almost all forms of grant aid to Yugoslavia. They will give US a years time in which to consider whether, or to what levels, we wish to continue surplus food shipments to Yugoslavia.

KENNAN

ba

Note: Advance copies to SS 10/9/CWO-M

SECRET

INCOMING TELEGRAM**Department of State**

33

Action

SS

Info

G

SP

L

H

EUR

E

BFAC

ICA

DLF

PX

IOP

NSC

INR.

COM

TRSY

SECRET

Control: 5010

Rec'd: Oct. 9, 1961

2:54pm

FROM: Belgrade

TO: Secretary of State

NO: 592, October 9, 4 p.m. (SECTION TWO OF TWO)

NIACT

In my opinion this is all we should do, and all we need do, at this time. Those Yugoslav views on world policy which became conspicuously evident at Belgrade Conference and so unfavorably affected US public opinion, were for most part not new. They had been entertained and expressed here for long time; and it was in face of this situation ourgyf* programs proceeded in recent months and years. I believe that time has now come for modification of these programs along lines suggested; but we would be merely sowing misunderstanding if we took action which would imply Belgrade Conference had created wholly new and unprecedented situation. There are, furthermore, certain positive reflections concerning our aid and trade with Yugoslavia validity of which not fully negated by political attitudes of their leadership. It remains desirable their rate of development should not compare unfavorably with that of neighboring satellite countries. It is also desirable they should continue to derive enough from economic exchanges with US to give them continued stake in good relations with our country.

4. While disappointed in stance taken by Tito on world problems during my incumbency here, I have by no means abandoned hope of eventual improvement in attitudes Yugoslav Government. Tito's recent course has plainly led to many misgivings and some discontent in his official entourage, not to mention population at large. Curtailment of aid along lines recommended by this mission will, in my opinion, jolt regime, discredit those who have advised Tito Western interests could

SECRETREPRODUCTION FROM THIS COPY IS
PROHIBITED UNLESS "UNCLASSIFIED"

SECRET

-2- 592, October 9, 4 p.m. (SECTION TWO OF TWO) from Belgrade

be so cavalierly treated, and encourage those who urge less one-sided orientation of Yugoslav policy. On other hand, drastic and punitive measures affecting trade as well as aid, would only silence our friends, vindicate anti-Western extremists, confirm regime on present course, and cut off more hopeful possibilities. So final would this be in effect on possibilities for my own usefulness here that I would hope Department would give me opportunity for personal consultation before taking steps of such gravity.

KENNAN

MEM

Note: Advance copies to SS 10/9/CWO-M

SECRET